

# **WINTHROP UNIVERSITY**

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## **Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2014**

# WINTHROP UNIVERSITY

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## FINANCIAL INFORMATION

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## Independent Auditors' Report

To the Honorable Nikki R. Haley,  
Governor of the State of South Carolina  
and the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (The Winthrop University Foundation) of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We did not audit the financial statements of Winthrop University Real Estate Foundation, Inc. (a discretely presented component unit). The Winthrop University Real Estate Foundation, Inc. reflects 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component unit.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Winthrop Real Estate Foundation, Inc., which represent 100% of total assets, 100% of net assets, and 100% of total revenue of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Winthrop University Real Estate Foundation Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The Winthrop University Foundation and Winthrop Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of Winthrop University as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2014, the University adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

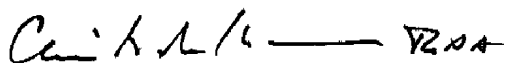
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Winthrop University's basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The other financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of Winthrop University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Gaffney, SC  
September 19 2014



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University for the year ended June 30, 2014. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, 38 and 61 that were issued to amend Statements 34 and 35.

**Introduction**

Winthrop University's mission is to provide personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the nation and to the State of South Carolina. Winthrop's longtime commitment to be among the very best institutions of its kind in the nation continually guides the mission of the university.

Building on its 19th century origins as a distinctive women's college, the Winthrop University of the 21st century is achieving national stature as a competitive and distinctive, co-educational, public, residential comprehensive, values-oriented institution. The values of service, excellence, diversity, community, and leadership provide the foundation for Winthrop's continuing development and shape Winthrop's continuing success.

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body. The University recruits South Carolina's most able students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and the state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on many college campuses.

Winthrop is located in a traditional setting of exceptional beauty, and provides a contemporary, collaborative, and supportive environment that fosters engaged student learning and development. Winthrop has a diverse and able faculty and professional staff of national caliber and supports their work as effective teachers, scholars, researchers, practitioners, and creative artists. Through this talented group, Winthrop students acquire and develop knowledge, skills, capabilities and values that enrich their lives and prepare them to meet the needs and challenges of the contemporary world, including the ability to communicate effectively, appreciate diversity, work collaboratively, synthesize knowledge, solve complex problems and adapt to change. Ongoing assessment of programs and services ensures both that all academic programs challenge students at their highest level of ability and that the library, instructional technology and other academic service areas support courses of study that are consonant with best practices. As a result, Winthrop graduates are eminently well prepared to enter the most competitive graduate or professional schools as well as to be leaders in their chosen professions and in their communities.

Winthrop embraces only those programs and activities that can be delivered at an exemplary level. Numerous national accolades reflect the sustained high quality and value of the Winthrop Experience, including:

- **U.S. News & World Report** has included Winthrop in its listings of America's Best Colleges for the past 22 years.
- **Barron's Best Buys** (ninth edition) includes Winthrop in its guidebook of schools where the education dollar goes further.
- **Washington Monthly** named Winthrop one of America's "Best Bang for the Buck Colleges" in its 2013 College Guide Rankings edition.
- **A Wise Choice for Value** - Great value plus rewarding academic and social experiences led WiseChoice Research to include Winthrop in its list of Top Ten Value Schools that provide the "best bang for the buck."
- **Princeton Review "Best in the Southeast"** - The Princeton Review rated Winthrop among the "Best in the Southeast" in its feature "2014 Best Colleges: Region by Region." This selection is made based on academic excellence and what students report about their college experiences. Winthrop has been included in the regional guidebook since its initial publication in 2003.
- **AffordableCollegesOnline.org**, a resource for college affordability and financial aid information, identified Winthrop University as one of the top five South Carolina public universities with the greatest lifetime return on investment. The organization noted that graduates of schools on its list enjoy the largest earnings gap between non-degree holders over a 30-year span.

### Statement of Net Position

The Statement of Net Position presents the assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflow of resources, liabilities (current and noncurrent), deferred inflow of resources, and net position. Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the University.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. The unrestricted portion of net position is available to the institution for any lawful purpose of the University. Although the unrestricted portion is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position has been designated for various academic initiatives or future capital commitments.



**CONDENSED STATEMENT OF NET POSITION**

	<b>2014</b>	<b>2013</b>	<b>Increase/ (Decrease)</b>
<b>ASSETS</b>			
Current Assets	\$ 25,830,883	\$ 26,214,753	\$ (383,870)
Capital Assets, Net of Accumulated Depreciation	120,167,596	124,987,933	(4,820,337)
Other Noncurrent Assets	14,224,492	9,033,845	5,190,647
Total Assets	160,222,971	160,236,531	(13,560)
<b>DEFERRED OUTFLOW OF RESOURCES</b>	725,189	0	725,189
<b>LIABILITIES</b>			
Current Liabilities	25,127,403	23,271,357	1,856,046
Noncurrent Liabilities	65,077,771	67,591,524	(2,513,753)
Total Liabilities	90,205,174	90,862,881	(657,707)
<b>DEFERRED INFLOW OF RESOURCES</b>	4,757	0	4,757
<b>NET POSITION</b>			
Net Investment in Capital Assets	56,610,863	56,222,209	388,654
Restricted for Nonexpendable	498,279	497,918	361
Restricted for Expendable	2,798,708	2,012,000	786,708
Unrestricted	10,830,379	10,641,523	188,856
Total Net Position	\$ 70,738,229	\$ 69,373,650	\$ 1,364,579

- While Current Assets had only a slight decline overall, Capital Assets, Net of Accumulated Depreciation decreased by \$4,820,337 which was depreciation expense of \$5.95M less the net value of assets placed into service of \$1,125,077.
- Other Noncurrent Assets increased by \$5,190,647, primarily in restricted cash. This year, Grants and Contracts expenses incurred for which funds had not yet been received from granting agencies were \$2M less than in the previous fiscal year. In addition, restricted cash in the Teaching Fellows and CERRA scholarship funds increased \$1M. And finally, an increase in Unexpended Plant Funds of nearly \$2M was a result of \$3M State Institution Bond proceeds on hand not yet spent offset by a reduction of \$1.1M in Master Lease proceeds spent in FY2014.
- Deferred Outflow of Resources of \$725,189 resulted from a change in reporting under GASB 65. Prior to the implementation of GASB 65, this amount was reported as a reduction in the long term debt liability. This \$725,189 is the remaining deferred amount resulting from a May 2012 General Obligation Bond refunding where the difference between the reacquisition price and the net carrying value of the previous bonds is being recognized as a component of interest expense over the life of the new bond.

- Current Liabilities increased by \$1,856,046. An increase in the election of 24 pay by 9 month employees resulted in an additional \$168,000 of deferred payroll. Payroll and related benefit liabilities also increased by \$200,000 for the July 1 accrued payroll. An additional \$360,000 of this increase was in trade payables resulting from items received or work performed not yet paid at June 30. In addition, unearned revenues primarily related to an increase in summer school fees increased by \$365,000, while the current portion of long term debt decreased by \$440,000 with the payoff of the Energy Conservation Master Lease debt. And finally, funds held in trust for the Teaching Fellows and CERRA scholarship accounts increased by just under \$1.2M.
- Noncurrent Liabilities decreased by \$2.5 million primarily due to the change in long term debt as a result of principal payments made, net of the deferred amount on refunding (now reported as Deferred Outflow of Resources) and newly incurred General Obligation Bond debt. The proceeds from these bonds are being used for renovations, repurposing and other campus maintenance projects.
- Overall, the University's Net Position increased by \$1,364,579.
  - Net Investment in Capital Assets increased by \$389K. This increase was the result of a decrease in capital asset values, net of total debt and debt proceeds on hand at year end. As mentioned earlier, the overall Capital Asset value declined by \$4.8 million as a result of depreciation expense in excess of the value added for new assets less assets disposed. However, long term debt also decreased by \$3.6M as a result of current year debt payments net of new debt incurred. The value of debt proceeds on hand not yet spent as of June 30 increased by \$1.5M as compared to proceeds on hand at the end of fiscal year 2013.
  - Restricted for Expendable increased by \$786,708 as a result of an increase in the amount of debt service funds required to remain in the debt fund at year-end and an increase in the year-end balance in the technology grant funds.
  - And finally, the Unrestricted net position increased by \$188,856 (see explanation in Statement of Revenues, Expenses and Changes in Net Position highlights below.)

### **Statement of Revenues, Expenses and Changes in Net Position**

Changes in Total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

## CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

### YEAR ENDED JUNE 30, 2014

	2014	2013	Increase/ (Decrease)
Operating Revenues	\$ 93,685,828	\$ 91,506,843	\$ 2,178,985
Operating Expenses	<u>116,702,523</u>	<u>116,342,153</u>	<u>360,370</u>
Operating Loss	(23,016,695)	(24,835,310)	1,818,615
Nonoperating Revenues (Expenses)	<u>23,061,967</u>	<u>21,946,804</u>	<u>1,115,163</u>
Loss before Other Revenues, Expenses, Gains, or Losses	45,272	(2,888,506)	2,933,778
Other Revenues, Expenses, Gains, or Losses	<u>1,319,307</u>	<u>1,980,415</u>	<u>(661,108)</u>
Increase/(Decrease) in Net Position	<u>\$ 1,364,579</u>	<u>\$ (908,091)</u>	<u>\$ 2,272,670</u>
Net Position – Beginning of Year	\$ 69,373,650	\$ 70,281,741	\$ (908,091)
Decrease/Increase in Net Position	<u>1,364,579</u>	<u>(908,091)</u>	<u>2,272,670</u>
Net Position – End of Year	<u>\$ 70,738,229</u>	<u>\$ 69,373,650</u>	<u>\$ 1,364,579</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position for the year. Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Position are as follows:

- Operating Revenues increased by \$2,178,985. Of this increase, \$941K was in Sales and Services of Auxiliary Enterprise Activities resulting from a slight increase in housing occupancy and the 5% increase in room and board fees approved by the University's Board of Trustees in June 2013. In addition, operating revenues in Grants and Contracts funds increased by \$1.5M.
- Operating Expenses increased overall by \$360,370. Although personnel and fringe benefit costs increased by \$1.37M primarily due to the increase in retirement and insurance premium rates, Services and Supplies expenses declined by \$1.28M, largely due to less repair and renovation project work in this fiscal year in comparison to previous years. The remainder of the operating expense increase can be attributed to an increase in utility costs of just over \$323,000 resulting from rate increases imposed by the utility providers.
- Nonoperating Revenues (Expenses) increased by \$1.1M. This increase resulted from an increase in Pell Grant funding for students of \$293,919, proceeds from Gifts primarily from an increase in Winthrop Foundation contributions of \$349,192, an increase in Investment Income of \$261,266, and a decrease in Interest Expenses of \$104,223.
- Other Revenues, Expenses, Gains, Or Losses decreased by \$661,108 as a result of a decline in Capital Appropriations.
- As a result of the changes in revenues and expenses, the University's overall Net Position increased by \$1,364,579 in fiscal year 2014.

## **Capital Asset and Debt Activity**

The only new debt issued during the 2014 fiscal year was General Obligation Bonds in the amount of \$3,045,000. The University is using the bond proceeds to up-fit the fire alarm systems in and repair roofs on various campus buildings, repurpose the facilities management building to accommodate College of Visual and Performing Arts' studios, and upgrade energy management system jace panels, repair bathrooms, upgrade handicap access, and address other minor facilities renewal needs in several campus buildings. As of June 30, 2014, \$2.8M of these proceeds remained on hand not yet spent.

The University currently has no plans to issue additional debt within the next fiscal year.

## **Economic Outlook**

As a public institution, the University economic outlook is directly affected by the State of South Carolina's economic position. In 2015, although the University received slightly less in non-recurring state funding, the University did receive \$162,052 in additional recurring appropriation funding, and an additional \$476,706 in pay plan and benefit costs allocations.

The University will recognize increased costs in the new year for personnel and benefit costs resulting from the State of SC mandated 2% Pay Plan increase and increases in retirement and health insurance premiums. As always, with these increased costs and a somewhat still-unstable state and national economy, the University's management will continue to monitor factors and adjust budget projections accordingly to ensure the University's overall financial position remains sound.



J. P. McKee  
Vice President for Finance and Business



Amanda Maghsoud  
Associate Vice President for Finance and Business

**WINTHROP UNIVERSITY**

## Statement of Net Position

June 30, 2014

**ASSETS****CURRENT ASSETS**

Cash and Cash Equivalents	\$ 15,366,223
Accounts Receivable, Net	8,782,943
Inventories	355,593
Accrued Interest Receivable	32,680
Prepayments	1,293,444
Total Current Assets	<u>25,830,883</u>

**NONCURRENT ASSETS**

Cash and Cash Equivalents	
Restricted	10,715,828
Endowment	1,104,859
Perkins Loans Receivable, Net	2,403,805
Capital Assets, Net	120,167,596
Total Noncurrent Assets	<u>134,392,088</u>
Total Assets	<u>160,222,971</u>

**DEFERRED OUTFLOW OF RESOURCES**

	<u>725,189</u>
Total Assets and Deferred Outflow of Resources	<u>160,948,160</u>

**LIABILITIES****CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	15,314,316
Unearned Revenue	1,385,418
Current Portion of Long Term Debt	6,182,669
Current Portion of Compensated Absences	2,245,000
Total Current Liabilities	<u>25,127,403</u>

**NONCURRENT LIABILITIES**

Compensated Absences	969,509
Perkins Loan Federal Liability	2,383,934
Bond Premium on Long Term Debt	2,430,611
Long Term Debt	59,293,717
Total Noncurrent Liabilities	<u>65,077,771</u>
Total Liabilities	<u>90,205,174</u>

**DEFERRED INFLOW OF RESOURCES**

	<u>4,757</u>
Total Liabilities and Deferred Inflow of Resources	<u>90,209,931</u>

**NET POSITION**

Net Investment in Capital Assets	56,610,863
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	498,279
Expendable:	
Scholarships and Fellowships	388,902
Grants	1,099,516
Loans	301,633
Debt Service	1,008,657
Unrestricted	10,830,379
Total Net Position	<u>\$ 70,738,229</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2014

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$221,717 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,137,190 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$30,400,943)	\$ 46,360,700
Grants and Contracts	26,254,906
Sales and Services of Educational Activities	2,361,697
Sales and Services of Athletic Activities	1,319,995
Sales and Services of Auxiliary Enterprise Activities (of which \$4,956,659 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	16,055,856
Other Fees	948,622
Other Operating Revenues	384,052
Total Operating Revenues	<u>93,685,828</u>

**EXPENSES**

Personnel Costs	56,985,697
Fringe Benefits	17,564,460
Service and Supplies	26,121,004
Utilities	3,617,837
Scholarships and Fellowships	6,468,111
Depreciation	5,945,414
Total Operating Expenses	<u>116,702,523</u>
Operating Loss	<u>(23,016,695)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	13,925,647
Grants and Contracts	(4,757)
Federal Grants and Contracts	8,930,474
Gifts	1,385,712
Investment Income/(Loss)	431,196
Interest Expense	(2,439,248)
Other Nonoperating Revenues	832,943
Net Nonoperating Revenues	<u>23,061,967</u>
Loss Before Other Revenues, Expenses, Gains or Losses	45,272
Federal Capital Grants and Contracts	-
Capital Appropriations	1,319,307
Increase/(Decrease) in Net Position	<u>1,364,579</u>

**NET POSITION**

Net Position - Beginning of Year	<u>69,373,650</u>
Net Position - End of Year	<u>\$ 70,738,229</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

**CASH RECEIVED FROM**

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 46,461,116
Grants and Contracts	27,681,955
Sales and Services of Educational Activities	2,607,156
Sales and Services of Athletic Activities	1,291,216
Sales and Services of Auxiliary Enterprise Activities	16,055,856
Other Fees	948,622
Collection of Loans	374,440
Receipts of Funds Held for Others	2,155,374
Inflows from Federal Direct Lending Loans to Students	37,150,125
Other Receipts	384,052

**CASH PAID FOR**

Personnel Costs	(56,889,299)
Fringe Benefits	(17,225,679)
Service and Supplies	(25,913,356)
Utilities	(3,617,838)
Students	(6,451,280)
Loans to Students	(455,894)
Payments of Funds Held for Others	(1,056,694)
Outflows from Federal Direct Lending Loans to Students	(37,135,735)
Net Cash Used by Operating Activities	<u>(13,635,863)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	14,230,750
Gifts and Grants	1,432,060
Federal Grants and Contracts	8,945,056
Commissions	569,847
Other Sources	352,392
Net Cash Provided by Noncapital Financing Activities	<u>25,530,105</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	2,955,703
Federal Capital Grants and Contracts	-
Capital Appropriations	1,319,306
Purchases of Capital Assets	(1,070,808)
Principal Paid on Capital Debt and Lease	(6,623,372)
Interest and Fees	(2,553,037)
Net Cash Used by Capital and Related Financing Activities	<u>(5,972,208)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	434,417
Net Cash Provided by Investing Activities	<u>434,417</u>
Net Change in Cash and Cash Equivalents	6,356,451
Cash and Cash Equivalents - Beginning of Year	20,830,459
Cash and Cash Equivalents - End of Year	<u><u>\$ 27,186,910</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2014

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (23,016,695)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	5,945,414
Change in Assets and Liabilities:	
Accounts Receivable, Net	1,156,388
Inventories	9,937
Prepayments	(47,620)
Accounts Payable and Accrued Liabilities	1,516,969
Accrued Salaries and Related Expenses	417,865
Unearned Revenue	364,567
Compensated Absences	17,312
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (13,635,863)</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Cash and Cash Equivalents Classified as Current	\$ 15,366,223
Cash and Cash Equivalents Classified as Noncurrent Restricted	10,715,828
Cash and Cash Equivalents Classified as Noncurrent Endowment	<hr/> 1,104,859
	<u><u>\$ 27,186,910</u></u>

**Non-Cash Transactions:**

Disposal of Capital Assets	\$ -
Acquisition of Capital Assets Through Donations	<hr/> 54,268
	<u><u>\$ 54,268</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**  
(With comparative information for December 31, 2012)

<b>Assets</b>	Unrestricted Fund	Temporarily Restricted Funds	Permanently Restricted		Agency Funds	December 31	
			Endowment Funds	Split-Interest Agreements		2013 Total	2012 Total
Cash and Equivalents	\$ 2,719,039	-	-	-	-	2,719,039	2,301,565
Accrued Interest and Dividends	-	-	-	-	-	-	-
Contributions Receivable	165,934	273,114	1,378,432	-	-	1,817,480	2,258,690
Less: Pledge Discounts	(2,984)	(3,442)	(73,898)	-	-	(80,324)	(64,837)
Allowance for Doubtful Accounts	(40,590)	(63,886)	(133,532)	-	-	(238,008)	(309,488)
Pooled Investments, at Fair Value	37,397,283	-	-	-	-	37,397,283	31,847,831
Investments, at Fair Value	-	-	-	4,176,321	-	4,176,321	4,011,184
Due From Other Funds	(40,504,880)	3,427,326	36,361,309	552,084	164,160	(1) *	-
Prepaid Expenses	12,745	-	-	-	-	12,745	33,287
Beneficial Interest in Perpetual Trust	-	-	-	917,941	-	917,941	1,119,065
Cash Value of Life Insurance	-	-	-	73,830	-	73,830	96,847
Office Furniture & Equipment, at Cost	-	-	-	-	-	-	-
Net of Depreciation of \$160,503	5,441	-	-	-	-	5,441	13,160
<b>Total Assets</b>	<b>\$ (248,012)</b>	<b>3,633,112</b>	<b>37,532,311</b>	<b>5,720,176</b>	<b>164,160</b>	<b>46,801,747</b>	<b>41,307,304</b>
<b>Liabilities and Net Assets</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ 32,585	29,388	-	-	458	62,431	460,353
Payroll Liabilities	11,207	-	-	-	-	11,207	21,759
Actuarial Liability of Annuities Payable	-	-	-	2,928,390	-	2,928,390	3,229,909
Due To Other Funds	-	-	-	-	-	- *	-
Agency Funds	-	-	-	-	163,702	163,702	166,384
<b>Total Liabilities</b>	<b>43,792</b>	<b>29,388</b>	<b>-</b>	<b>2,928,390</b>	<b>164,160</b>	<b>3,165,730</b>	<b>3,878,405</b>
<b>Net Assets:</b>							
Unrestricted	(291,804)	-	-	-	-	(291,804)	(303,066)
Temporarily Restricted	-	3,603,724	-	-	-	3,603,724	4,202,536
Permanently Restricted	-	-	37,532,311	2,791,786	-	40,324,097	33,529,429
<b>Total Net Assets</b>	<b>(291,804)</b>	<b>3,603,724</b>	<b>37,532,311</b>	<b>2,791,786</b>	<b>-</b>	<b>43,636,017</b>	<b>37,428,899</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ (248,012)</b>	<b>3,633,112</b>	<b>37,532,311</b>	<b>5,720,176</b>	<b>164,160</b>	<b>46,801,747</b>	<b>41,307,304</b>

\* Interfund accounts do not constitute assets or liabilities of the entity as a whole.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(With comparative information for the year ended December 31, 2012)

			Permanently Restricted		December 31	
	Unrestricted	Temporarily	Endowment	Split-	2013	2012
	Fund	Restricted	Funds	Interest	Total	Total
		Funds		Agreements		
Revenues, Gains and Other Support:						
Contributions	\$ 493,440	900,104	3,236,285	-	4,629,829	3,684,531
Less: Provision for Doubtful Pledges	6,164	26,061	39,253	-	71,478	(171,740)
Provision for Pledge Accounts	216	1,846	(17,550)	-	(15,488)	(64,155)
Investment Earnings (Losses)	1,700,000	-	3,139,091	486,528	5,325,619	3,285,882
Increase (Decrease) In Cash Surrender Value	-	-	-	(23,018)	(23,018)	-
Change in Value of Split-Interest Trusts	-	-	-	19,144	19,144	-
	<u>\$ 2,199,820</u>	<u>928,011</u>	<u>6,397,079</u>	<u>482,654</u>	<u>10,007,564</u>	<u>6,734,518</u>
Net Assets Released From Restrictions	<u>1,713,650</u>	<u>(1,387,151)</u>	<u>-</u>	<u>(310,988)</u>	<u>15,511</u>	<u>-</u>
Expenses:						
Operating Expenses	615,727				615,727	556,210
Fund Raising	994,505				994,505	1,303,840
Grants to Winthrop University	2,291,976				2,291,976	2,332,907
Total Expenses	<u>3,902,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,902,208</u>	<u>4,192,957</u>
Net Increase (Decrease) in Net Assets Before Transfers	11,262	(459,140)	6,397,079	171,666	6,120,867	2,541,561
Net Transfers	<u>-</u>	<u>(139,672)</u>	<u>275,239</u>	<u>(49,316)</u>	<u>86,251</u>	<u>-</u>
	11,262	(598,812)	6,672,318	122,350	6,207,118	2,541,561
Net Assets, Beginning of Period	<u>(303,066)</u>	<u>4,202,536</u>	<u>30,859,993</u>	<u>2,669,436</u>	<u>37,428,899</u>	<u>34,887,338</u>
Net Assets, End of Period	<u>\$ (291,804)</u>	<u>3,603,724</u>	<u>37,532,311</u>	<u>2,791,786</u>	<u>43,636,017</u>	<u>37,428,899</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
<b><u>Assets</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 602,598	25,004	627,602
Trustee cash reserved for operations	1,024,630	-	1,024,630
Accounts receivable	23,729	495	24,224
Mortgage note receivable	-	3,425	3,425
Prepaid expenses	14,797	-	14,797
Total current assets	1,665,754	28,924	1,694,678
Property and equipment, net	13,096,022	-	13,096,022
Other assets:			
Bond closing costs, net	146,392	-	146,392
Mortgage note receivable	-	111,575	111,575
Trustee cash reserved for debt service	1,000,198	-	1,000,198
Trustee cash reserved for repairs	818,938	-	818,938
Trustee cash reserved for operating contingencies	204,981	-	204,981
Real estate gifts	-	708,000	708,000
Other assets	5,000	-	5,000
Total other assets	2,175,509	819,575	2,995,084
Total assets	<u>\$ 16,937,285</u>	<u>848,499</u>	<u>17,785,784</u>
<b><u>Liabilities and Net Assets</u></b>			
Current liabilities:			
Accounts payable	\$ 242,270	3,715	245,985
Due to (from) subsidiary	-	-	-
Current portion of long-term debt	475,119	-	475,119
Total current liabilities	717,389	3,715	721,104
Long-term debt :			
Bonds payable	16,430,000	-	16,430,000
Notes payable	85,706	-	85,706
Less: current portion of long-term debt	(475,119)	-	(475,119)
Total long-term debt	16,040,587	-	16,040,587
Total liabilities	16,757,976	3,715	16,761,691
Net Assets:			
Unrestricted	179,309	-	179,309
Temporarily restricted	-	844,784	844,784
Total net assets	179,309	844,784	1,024,093
Total liabilities and net assets	<u>\$ 16,937,285</u>	<u>848,499</u>	<u>17,785,784</u>

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Unrestricted	Temporarily Restricted	Total
<b><u>Changes in Net Assets</u></b>			
Revenue			
Program revenues	\$ 2,644,869	-	2,644,869
Real estate gifts	-	-	-
Income from real estate gifts, net	-	7,278	7,278
Rental income from Winthrop University	-	-	-
Rental income	6,660	-	6,660
Total revenue	2,651,529	7,278	2,658,807
Net assets released from restrictions	43,715	(43,715)	-
Total revenue	2,695,244	(36,437)	2,658,807
Expenses			
Program services	2,431,555	-	2,431,555
Management and general	29,558	-	29,558
Total expenses	2,461,113	-	2,461,113
Changes in net assets	234,131	(36,437)	197,694
Net assets, December 31, 2012	(54,822)	881,221	826,399
Net assets, December 31, 2013	\$ 179,309	844,784	1,024,093

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Historically, the University has been treated as a part of the primary government of the State of South Carolina, and its funds were previously reported in the state's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. During fiscal year 2012-13, the State of South Carolina implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. As a result of this implementation, the University is now reported as a discretely presented component unit on the State of South Carolina's Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the University's financial information into the State's financial information.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity incorporated under the laws of South Carolina on May 17, 1983, and organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors, and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code of 1954. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2013. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned subsidiaries. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop (The Courtyard), a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLC's charge is to ensure the continued viability of The Courtyard through maximum occupancy percentages and fiscal responsibility and to build revenue for future housing development.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity:** Continued

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been consolidated in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2013. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 18) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

For 2013, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the University's 2013 financial statements; however, there was no effect on beginning net position.

Effective for the fiscal year ending June 30, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 identifies deferred outflows of resources and deferred inflows of resources for certain items previously reported as assets and liabilities. Adoption of this statement resulted in no material impact to the University.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 3).

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$1,000 for which payment had been made prior to June 30, 2014 but for which the goods or services would not be received until after July 1, 2014.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition. Effective July 1, 2011, all new purchases of capital assets are depreciated based on the prorated number of days in service in the year acquired. In the year the asset is disposed, depreciation is calculated for the prorated number of days in service until the asset is removed from service.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Deferred Outflow of Resources and Deferred Inflow of Resources:** Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined these elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

Deferred outflow of resources includes the deferred amount on a bond refunding which is being recognized as a component of interest expense in a systematic manner over the life of the debt.

Deferred inflow of resources represents resources received on voluntary nonexchange transactions relating to a future period.

**Unearned Revenues:** Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of unearned revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Position.

**Net Assets:** The University's net assets are classified as follows:

*Net investment in capital assets:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Position.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Component Units:** See Note 18.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:

Cash and Cash Equivalents - Current	\$ 15,366,223
Cash and Cash Equivalents - Restricted	
Debt Service	2,148,840
Capital Project	3,395,856
Student Loan	6,544,702
Grants and Contracts	(1,373,680)
Other	110
Cash and Cash Equivalents - Endowment	1,104,859
Total	<u>\$ 27,186,910</u>

DEPOSITS:

Cash on Hand	\$ 156,962
Deposits Held by State Treasurer	27,029,948
Other Deposits	-
Total	<u>\$ 27,186,910</u>

Perkins Loan Program Cash

At June 30, 2014, Winthrop University had approximately \$46,925 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$0 of these funds is not collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2014, Winthrop University had \$27,029,948 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Concentrations of Credit Risk and Market Risk - Non Governmental Discretely Presented Component Units

***The Winthrop University Foundation***

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also had a concentration of cash in bank accounts that exceeded FDIC insurance limits by \$0 at December 31, 2013. These deposits were in a high credit quality institution.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Units

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$250,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount on deposit in excess of the federally insured limit at December 31, 2013 was \$3,208,969.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation considers all interest bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides coverage for certain qualifying and participating non-interest bearing transaction accounts up to an aggregate of \$250,000 per taxpayer.

As of December 31, 2013, the Foundation had a \$2,667,854 bank balance which is collateralized with U.S. Government or U.S. Government Agency securities placed with the Federal Reserve. These securities are held in the name of the financial institution but assigned to the Foundation. During the year ended December 31, 2013, the Foundation had no deposits in excess of the insured limits and collateralized amounts.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Cash and cash equivalents at December 31, 2013 were as follows:

Unrestricted	\$	602,598
Restricted		25,004
	\$	<u>627,602</u>

The restricted cash must be transferred to The Winthrop University Foundation (a related party) when the related real estate gifts are sold in the future.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Trustee Cash - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Trustee cash is monies on deposit within WUREF, LLC. These funds relate to the issuance of bonds for the purposes of The Courtyard. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in the bond issuance. The trustee cash accounts at December 31, 2013 are as follows:

Trustee cash reserved for operations	\$ 1,024,630
Trustee cash reserved for debt service	1,000,198
Trustee cash reserved for repairs	818,938
Trustee cash reserved for operating contingencies	<u>204,981</u>
	<u><u>\$ 3,048,747</u></u>

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Investments at December 31, 2013 are summarized as follows:

	Market Value
Equities	\$ 13,511,693
Fixed Income	4,946,434
Hedge Fund	2,131,446
Mutual Funds	14,032,575
Exchange-Traded	2,307,971
Real Assets	<u>467,164</u>
	<u><u>\$ 37,397,283</u></u>

Investment earnings for the year ended December 31, 2013 consisted of:

Dividends and Interest	\$ 1,152,219
Unrealized Gains (Losses)	2,248,749
Realized Gains (Losses)	<u>1,450,952</u>
Less: Allocation to Agency Funds	(12,829)
Net Earnings to Endowments	<u><u>\$ 4,839,091</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS,** Continued

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation's assets and liabilities are reported at fair value in the accompanying consolidated statements of financial position using fair value measurements as follows:

**Principal Cash / Cash Equivalents**

Money Market Account Used to Pay Fees / Hold Cash	\$	1,185,963
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**Diversified Portfolio**

Cash Equivalents		1,433,217
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Equities:

U.S. Large Cap		8,175,003
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U.S. Mid Cap		376,740
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U.S. Small Cap		914,086
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International Developed		1,375,365
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Emerging Markets		1,636,849
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Preferred Stock		487,700
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REITs		545,950
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Fixed Income:

Investment Grade Taxable		3,127,000
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Strategic Reserves		303,887
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High Yield Bonds		1,515,547
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Hedge Funds		2,131,446
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Mutual Funds		14,032,575
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Exchange Traded Products		2,307,971
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Real Assets-Natural Resources		467,164
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Total Portfolio Funds		38,830,500
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Total of Pooled Investments	\$	40,016,463
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**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014, are summarized as follows:

State Appropriations	\$ 1,941,560
Student Accounts	3,622,110
Less Allowance for Doubtful Accounts	(625,679)
Student Loans Receivable - Federal Perkins	2,403,805
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	2,771,559
State Grants and Contracts	558,173
Local Grants and Contracts	12,689
Foundations	381,681
Capital Improvement Bond Funds	130
Other	120,720
	<hr/>
Total Accounts Receivable, Net of Allowance	11,186,748
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(2,403,805)
	<hr/>
Accounts Receivable, Net - Current	<u><u>\$ 8,782,943</u></u>

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2014-2015 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2014, the allowance for uncollectible student accounts is valued at \$625,679.

The capital improvement bond funds receivable represents funds held by the State Treasurer that have been expended but not drawn.

**Contributions Receivable - Non Governmental Discretely Presented Component Unit**

***The Winthrop University Foundation***

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2013:

Less than One Year	\$ 562,794
One to Five Years	934,186
Over Five Years	320,500
	<hr/>
	1,817,480
Less Unamortized Discount	80,323
	<hr/>
	1,737,157
Less Allowance for Uncollectible Promises	238,009
	<hr/>
Net Unconditional Promises to Give	<u><u>\$ 1,499,148</u></u>

Discount rates ranged from .25% to 1.65%.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 3 – ACCOUNTS RECEIVABLE,** Continued

Mortgage Note Receivable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On December 20, 2013, WUREF, Inc. entered into a mortgage note agreement of \$115,000 with a real estate company with an average interest rate of 5.00 percent. The note resulted from the sale of a gift of real estate and is being held for The Winthrop University Foundation. The note is due in quarterly installments plus interest. On December 1, 2018, there is a final balloon payment due of all outstanding principal and interest. Maturity on the mortgage note receivable is scheduled as follows for years ending December 31:

2014	\$	3,425
2015		3,618
2016		3,802
2017		3,996
2018		100,159
		<hr/>
	\$	115,000
		<hr/>

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2014. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2014, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,383,934, representing the Federal portion of the loan program at June 30, 2014. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 is summarized as follows:

	Beginning Balance July 1, 2013	Increases	Decreases	Transfers	Ending Balance June 30, 2014
Capital Assets Not Being Depreciated:					
Land	\$ 5,539,853	-	-	-	5,539,853
Construction in Progress	-	-	-	-	-
Collections	198,631	-	-	-	198,631
Total Capital Assets Not Being Depreciated	<u>5,738,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,738,484</u>
Other Capital Assets:					
Buildings and Improvements	184,917,978	-	-	-	184,917,978
Machinery, Equipment and Other	17,487,650	1,070,809	(384,472)	-	18,173,987
Vehicles	399,192	54,268	(11,643)	-	441,817
Total Other Capital Assets at Historical Cost	<u>202,804,820</u>	<u>1,125,077</u>	<u>(396,115)</u>	<u>-</u>	<u>203,533,782</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(73,510,181)	(4,682,744)	-	-	(78,192,925)
Machinery, Equipment and Other	(9,668,705)	(1,246,046)	384,472	-	(10,530,279)
Vehicles	(376,485)	(16,624)	11,643	-	(381,466)
Total Accumulated Depreciation	<u>(83,555,371)</u>	<u>(5,945,414)</u>	<u>396,115</u>	<u>-</u>	<u>(89,104,670)</u>
Capital Assets, Net	<u>\$ 124,987,933</u>	<u>(4,820,337)</u>	<u>-</u>	<u>-</u>	<u>120,167,596</u>

Net Investment in capital assets of \$56,610,863 as of June 30, 2014 is determined as follows:

Capital Assets, Net	\$ 120,167,596
Less Debt:	
Current Portion of Long Term Debt	(6,182,669)
Long Term Debt	(59,293,717)
Bond Premium of Long Term Debt	(2,430,611)
Advanced Refunding Institution Bonds	725,189
Plus Note Payable/Non Capital	275,164
Plus Unspent Bond Proceeds	<u>3,349,911</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 56,610,863</u>



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 5 - CAPITAL ASSETS,** Continued

Equipment - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

A summary of equipment at December 31, 2013 follows:

Equipment	\$ 165,944
Less Accumulated Depreciation	<u>(160,503)</u>
Total	<u><u>\$ 5,441</u></u>

Depreciation expense for the year ended December 31, 2013 was \$7,719.

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2013 are as follows:

Land	\$ 537,106
Buildings	16,079,908
Furniture and fixtures	680,414
Machinery and equipment	<u>14,526</u>
	17,311,954
Less: accumulated depreciation	<u>(4,215,932)</u>
	<u><u>\$ 13,096,022</u></u>

Depreciation charged to expense during 2013 was \$321,749. This is a non-cash expense.

**NOTE 6 – DEFERRED OUTFLOW OF RESOURCES**

On May 1, 2012, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). These current refundings and advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. As of June 30, 2014, the University has \$725,189 remaining on this deferred amount on bond refundings which is being recognized as a component of interest expense on an annual basis over the life of the new bond.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2014, are summarized as follows:

<b>CURRENT</b>	
Accrued Payroll and Related Liabilities	\$ 5,922,502
Trade Payables	1,895,383
Accrued Interest Payable	734,486
Student Deposits and Prepayments	6,761,945
Construction Contract Retainage	-
Other Accrued Liabilities	-
Total Accounts Payable	<u><u>\$ 15,314,316</u></u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2013, accounts payable primarily consisted of \$210,332 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

**NOTE 8 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2014 is as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Due Within One Year
<b>Bonds, Notes and Capital Leases</b>					
General Obligation Bonds	\$ 47,800,000	3,045,000	(2,935,000)	47,910,000	3,215,000
Unamortized Premium	2,622,576	352,842	(544,807)	2,430,611	-
Athletic Facilities	960,000	-	(120,000)	840,000	120,000
Higher Education Facilities	12,050,000	-	(1,195,000)	10,855,000	950,000
Notes Payable	2,337,053	-	(475,684)	1,861,369	475,684
Master Lease Program					
Notes Payable	5,907,705	-	(1,897,688)	4,010,017	1,421,985
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	<u>71,677,334</u>	<u>3,397,842</u>	<u>(7,168,179)</u>	<u>67,906,997</u>	<u>6,182,669</u>
<b>Other Liabilities</b>					
Accrued Compensated Absences	3,197,197	2,218,292	(2,200,980)	3,214,509	2,245,000
Perkins Loan Federal Liability	2,387,077	-	(3,143)	2,383,934	-
Total Other Liabilities	<u>5,584,274</u>	<u>2,218,292</u>	<u>(2,204,123)</u>	<u>5,598,443</u>	<u>2,245,000</u>
Total Long-Term Liabilities	<u><u>\$ 77,261,608</u></u>	<u><u>5,616,134</u></u>	<u><u>(9,372,302)</u></u>	<u><u>73,505,440</u></u>	<u><u>8,427,669</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2014:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2001A2	4.3% to 4.9%	10/01/20	\$ -
Series 2001B5	4.5% to 5.5%	10/01/21	-
Series 2003C	3.5% to 4.75%	04/01/22	-
Series 2004A1	3.0% to 5.0%	12/01/21	-
Series 2005B	3.5% to 5.5%	04/01/25	4,255,000
Series 2006A	4.12% to 5.75%	04/01/26	4,485,000
Series 2008B	3.25% to 5.0%	04/01/28	10,760,000
Series 2009A	2.5% to 4.12%	06/30/29	11,030,000
Series 2012D	4.0% to 5.0%	04/01/22	12,390,000
Series 2012E	2.5% to 5.0%	04/01/24	1,945,000
Series 2013A	3.0% to 5.0%	10/01/25	3,045,000
Total General Obligation Bonds			<u>47,910,000</u>
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	<u>840,000</u>
Higher Education Facilities			
Revenue Bonds Series 2002B5	4.58%	01/01/14	-
Revenue Bonds Series 2005A3	3.40%	04/01/17	870,000
Revenue Bonds Series 2009A	4.07%	04/01/24	3,265,000
Revenue Bonds Series 2009B	6.35%	04/01/24	1,580,000
Revenue Bonds Series 2011	5.20%	04/01/23	5,140,000
Total Higher Education Facilities			<u>10,855,000</u>
Total Bonds Payable			<u><u>\$ 59,605,000</u></u>

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of tuition for the preceding fiscal year. Tuition bond fees for the preceding year 2013 were \$6,257,220, which results in a legal annual debt service at June 30, 2014 of \$5,631,498.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

The scheduled maturities of the bonds payable by type are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds				
2004A1	2015	-	-	-
	2016	-	-	-
	2017	-	-	-
	2018	-	-	-
	2019	-	-	-
	2020-2024	-	-	-
	2025-2029	-	-	-
	2030-2034	-	-	-
Total Series 2004A1 Bonds		<u>\$ -</u>	<u>-</u>	<u>-</u>
2005B	2015	755,000	182,761	937,761
	2016	-	145,012	145,012
	2017	-	145,011	145,011
	2018	-	145,012	145,012
	2019	-	145,011	145,011
	2020-2024	2,280,000	679,341	2,959,341
	2025-2029	1,220,000	51,240	1,271,240
	2030-2034	-	-	-
Total Series 2005B Bonds		<u>\$ 4,255,000</u>	<u>1,493,388</u>	<u>5,748,388</u>
2006A	2015	295,000	194,394	489,394
	2016	305,000	182,594	487,594
	2017	320,000	170,012	490,012
	2018	330,000	156,812	486,812
	2019	345,000	142,788	487,788
	2020-2024	1,970,000	475,906	2,445,906
	2025-2029	920,000	62,550	982,550
	2030-2034	-	-	-
Total Series 2006A Bonds		<u>\$ 4,485,000</u>	<u>1,385,056</u>	<u>5,870,056</u>
2008B	2015	580,000	448,963	1,028,963
	2016	600,000	428,662	1,028,662
	2017	620,000	407,663	1,027,663
	2018	645,000	376,662	1,021,662
	2019	675,000	344,413	1,019,413
	2020-2024	3,845,000	1,293,462	5,138,462
	2025-2029	3,795,000	418,200	4,213,200
	2030-2034	-	-	-
Total Series 2008B Bonds		<u>\$ 10,760,000</u>	<u>3,718,025</u>	<u>14,478,025</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

		Principal	Interest	Payments
General Obligation Bonds, Continued				
2009A	2015	575,000	421,736	996,736
	2016	590,000	407,361	997,361
	2017	605,000	392,611	997,611
	2018	620,000	374,461	994,461
	2019	640,000	355,861	995,861
	2020-2024	3,590,000	1,357,607	4,947,607
	2025-2029	4,410,000	558,472	4,968,472
	2030-2034	-	-	-
Total Series 2009A Bonds		<u>\$ 11,030,000</u>	<u>3,868,109</u>	<u>14,898,109</u>
2012D				
	2015	655,000	619,500	1,274,500
	2016	1,450,000	586,750	2,036,750
	2017	1,525,000	514,250	2,039,250
	2018	1,610,000	438,000	2,048,000
	2019	1,715,000	357,500	2,072,500
	2020-2024	5,435,000	540,500	5,975,500
	2025-2029	-	-	-
	2030-2034	-	-	-
Total Series 2012D Bonds		<u>\$ 12,390,000</u>	<u>3,056,500</u>	<u>15,446,500</u>
2012E				
	2015	155,000	86,775	241,775
	2016	160,000	79,025	239,025
	2017	170,000	71,025	241,025
	2018	180,000	62,525	242,525
	2019	190,000	53,525	243,525
	2020-2024	1,090,000	120,475	1,210,475
	2025-2029	-	-	-
	2030-2034	-	-	-
Total Series 2012E Bonds		<u>\$ 1,945,000</u>	<u>473,350</u>	<u>2,418,350</u>
2013A				
	2015	200,000	119,950	319,950
	2016	210,000	113,800	323,800
	2017	215,000	106,350	321,350
	2018	225,000	97,550	322,550
	2019	235,000	88,350	323,350
	2020-2024	1,340,000	276,950	1,616,950
	2025-2029	620,000	20,275	640,275
	2030-2034	-	-	-
Total Series 2013A Bonds		<u>\$ 3,045,000</u>	<u>823,225</u>	<u>3,868,225</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Athletic Facilities Revenue Bonds				
2001A5	2015	120,000	38,556	158,556
	2016	120,000	33,048	153,048
	2017	120,000	27,540	147,540
	2018	120,000	22,032	142,032
	2019	120,000	16,524	136,524
	2020-2024	240,000	16,524	256,524
	2025-2029	-	-	-
Total Series 2001A5 Bonds		<u>\$ 840,000</u>	<u>154,224</u>	<u>994,224</u>
Higher Education Facilities Revenue Bonds				
2002B5	2015	-	-	-
	2016	-	-	-
	2017	-	-	-
	2018	-	-	-
	2019	-	-	-
	2020-2024	-	-	-
	2025-2029	-	-	-
Total Series 2002B5 Bonds		<u>\$ -</u>	<u>-</u>	<u>-</u>
Higher Education Facilities Revenue Bonds				
2005A3	2015	280,000	29,580	309,580
	2016	290,000	20,060	310,060
	2017	300,000	10,200	310,200
	2018	-	-	-
	2019	-	-	-
	2020-2024	-	-	-
	2025-2029	-	-	-
Total Series 2005A3 Bonds		<u>\$ 870,000</u>	<u>59,840</u>	<u>929,840</u>
Higher Education Facilities Revenue Bonds				
2009A	2015	270,000	132,885	402,885
	2016	280,000	121,897	401,897
	2017	295,000	110,500	405,500
	2018	305,000	98,494	403,494
	2019	320,000	86,081	406,081
	2020-2024	1,795,000	225,071	2,020,071
	2025-2029	-	-	-
Total Series 2009A Bonds		<u>\$ 3,265,000</u>	<u>774,928</u>	<u>4,039,928</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Higher Education Facilities Revenue Bonds				
2009B	2015	120,000	100,330	220,330
	2016	125,000	92,710	217,710
	2017	135,000	84,773	219,773
	2018	140,000	76,200	216,200
	2019	150,000	67,310	217,310
	2020-2024	910,000	180,657	1,090,657
	2025-2029	-	-	-
Total Series 2009B Bonds		<u>\$ 1,580,000</u>	<u>601,980</u>	<u>2,181,980</u>
Higher Education Facilities Revenue Bonds				
2011	2015	280,000	267,280	547,280
	2016	300,000	252,720	552,720
	2017	305,000	237,120	542,120
	2018	635,000	221,260	856,260
	2019	660,000	188,240	848,240
	2020-2024	2,960,000	393,120	3,353,120
	2025-2029	-	-	-
Total Series 2011 Bonds		<u>\$ 5,140,000</u>	<u>1,559,740</u>	<u>6,699,740</u>

On January 29, 2004, Winthrop University issued \$5,500,000 in General Obligation Bonds Series 2004A1 with an average interest rate of 3.56 percent. The proceeds were used to construct an athletic track, renovate campus facilities, uplift an existing building and demolish a building for the site of a future building.

On August 25, 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds Series 2005B with an average interest rate of 4.38 percent. The proceeds were used for the construction of a new health, physical education and wellness center.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds Series 2006A with an average interest rate of 4.40 percent. The proceeds were used to construct a three story classroom building. As of June 30, 2014, the University has unamortized premium of \$18,065 which is being amortized over the life of the bond.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. The proceeds were used for the construction of a new campus center and a new auditorium for the College of Business. As of June 30, 2014, the University has unamortized premium of \$69,049 which is being amortized over the life of the bond.

On June 5, 2009, Winthrop University issued \$4,500,000 in Tax Exempt Higher Education Facilities Revenue Bonds Series 2009A with an interest rate of 4.07 percent. The proceeds were used for the construction of a new campus center.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

On June 5, 2009, Winthrop University also issued \$2,100,000 in Taxable Higher Education Facilities Revenue Bonds Series 2009B with an interest rate of 6.35 percent. The proceeds were used for the construction of a new campus center.

On June 22, 2009, Winthrop University issued \$13,850,000 in General Obligation Bonds Series 2009A with an average interest rate of 4.43 percent. The proceeds were used for the construction of a new campus center. As of June 30, 2014, the University has unamortized premium of \$112,302 which is being amortized over the life of the bond.

On March 9, 2011, Winthrop University issued \$5,200,000 in Higher Education Revenue Bonds Series 2011 with an interest rate of 5.20 percent. The proceeds are being used to renovate a residence hall and to address deferred maintenance in various other residence hall facilities.

On May 1, 2012, the University issued at par \$13,140,000 with a premium of \$2,800,071 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds (Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B). The 2012D bonds bear an average coupon rate of 4.987637 percent with the final payment due April 1, 2022. The refunded bonds carried an average coupon rate of 4.189946 percent with the final payment due April 1, 2022.

The net proceeds of \$15,838,426 (after payment of \$101,645 in underwriting fees and other issuance costs) were used to repay \$5,010,000 of principal and \$19,308 of interest for Series 2001A2, 2001B5 and 2003C bonds. In order to accomplish the current refunding, the University had to pay a 1 percent call premium (\$50,100) to holders of these outstanding bonds, which was paid from the bond proceeds. There was also \$12,008 of additional proceeds remaining from the issuance that was transferred to offset any additional issuance costs.

The remaining proceeds of \$10,747,010 were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,040,000 and \$6,670,000, respectively, on Series 2004A1 with a call date of December 1, 2013 and on Series 2005B with a call date of October 1, 2015. Unamortized bond premiums on series 2004A1 and 2005B were \$51,126 at the date of advance refunding. As a result, Series 2004A1 and Series 2005B bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

Both refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2022. The University completed the refundings to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239. As of June 30, 2014, the University has unamortized premium of \$1,662,057 which is being amortized over the life of the bond.

On May 1, 2012, Winthrop University issued \$2,245,000 in General Obligation Bonds Series 2012E with an average coupon rate of 4.203240 percent. The proceeds are being used for renovations, repurposing, and other deferred maintenance projects on campus. As of June 30, 2014, the University has unamortized premium of \$248,343 which is being amortized over the life of the bond.

On December 10, 2013, Winthrop University issued \$3,045,000 in General Obligation Bonds Series 2013A with an average coupon rate of 4.152352 percent. The proceeds are being used for renovations, repurposing, and other maintenance projects on campus. As of June 30, 2014, the University has unamortized premium of \$320,795 which is being amortized over the life of the bond.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

**Bonds Payable - Non Governmental Discretely Presented Component Unit**

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2013:

South Carolina Jobs - Economic Development Authority  
variable rate demand Economic Development Revenue  
Bonds. Issued December 1, 2011 with an effective  
variable interest rate currently at 3.69% net of the  
effects of a fixed interest swap agreement. Interest is  
payable monthly, and principal is payable in varying  
annual installments, maturing July 1, 2033.

Direct Purchase of Series 2011	<u>\$ 16,430,000</u>
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On November 18, 2011, as part of the Series 2011 bond issuance, WUREF, LLC issued and filed the intent to redeem the outstanding balance of the Series 2002A bond issuance of \$16,535,000. The proceeds from the Series 2011 bond issuance were put into trust on December 1, 2011, and the related bond liability was called and redeemed on December 1, 2011. In accordance with the bond documents, the related trust assets and bond liability were removed from the financial statements of WUREF, LLC effective December 31, 2011.

WUREF, LLC had entered into a fixed interest rate swap agreement in conjunction with the \$16,400,000 Series 2002A issuance to manage exposure from the variable interest rate. The Swap remains in effect, is used to offset the interest from the Series 2011 bond issuance and is tied to the amount and amortization of the issuance, maturing on July 1, 2022. Realized losses on monthly settlement transactions totaled \$512,728 for the year ended December 31, 2013. Under the swap agreement, WUREF, LLC has limited its risk by effectively fixing the interest rate on the bonds at 3.69%.

Maturities on the bonds payable are scheduled as follows for years ending December 31:

2014	\$	470,000
2015		495,000
2016		525,000
2017		550,000
2018		580,000
Thereafter		13,810,000
	\$	16,430,000

Certain bond issuance costs, including underwriter's fees and attorney fees in the amount of \$160,973 for the Series 2011 issuance, have been classified as other assets and are being amortized over the life of the Series 2011 issuance to its final scheduled maturity date. Amortization expense for the bond closing cost was \$6,999 for the period ended December 31, 2013.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

Notes Payable

Notes payable consisted of the following at June 30, 2014:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina			
Note Dated 6/12/09	0.0%	05/30/18	\$ 1,820,000
Note Dated 10/23/09	0.0%	11/01/15	41,369
Total Notes Payable			<u>\$ 1,861,369</u>

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

During fiscal year 2009, Winthrop University signed a letter of understanding whereby the University's food service vendor will make a financial commitment to the University in an amount up to \$3,050,000 for food service facility up fitting and the purchase and installation of food service equipment in the new campus center. As of June 30, 2012, the food service vendor expended the entire amount of this commitment. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years.

In October 2009, the University received an award from the State Energy Program, American Recovery and Reinvestment Act (ARRA), in the amount of \$416,476 for energy efficiency and renewable energy improvements. The proceeds were used to replace approximately 418 feet of underground steam piping and condensate return lines that supply the University's North Campus. As of June 30, 2011, the University had drawn \$413,680 of the total award. According to the terms of the award, \$103,420, or 25 percent of the amount drawn, was issued as a loan at 0 percent interest to be paid back from the energy savings recognized from the grant award. The University shall repay the loan in annual installments over a period of five years beginning two years from the date of the award.

The notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2014, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 475,684	-	475,684
2016	475,685	-	475,685
2017	455,000	-	455,000
2018	455,000	-	455,000
2019	-	-	-
2020-2024	-	-	-
Total Obligations	<u>\$ 1,861,369</u>	<u>-</u>	<u>1,861,369</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

Notes Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On October 15, 2010, WRE, LLC borrowed \$100,000 from a financial institution with an average interest rate of 5.96 percent. The proceeds were used to purchase real property. The note is payable in monthly installments plus interest. In October 2015, there is a balloon payment due of \$76,924 for the unpaid balance of principal and interest.

Maturity on the note payable is scheduled as follows for years ending December 31:

2014	\$	5,119
2015		80,587
2016		-
2017		-
2018		-
	\$	<u>85,706</u>

Master Lease Program Notes Payable

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2014, the University had bank notes payable outstanding as follows:

	Interest Rates	Maturity Dates	Balance
Note Dated June 16, 2004	3.56%	06/16/14	-
Note Dated June 16, 2008	3.665%	06/16/15	889,061
Note Dated July 12, 2011	3.1805%	07/12/18	1,387,203
Note Dated February 28, 2013	2.330%	03/01/20	1,733,753
Total			<u>\$ 4,010,017</u>

On June 16, 2004, Winthrop University borrowed \$4,500,000 from a financial institution with an average interest rate of 3.56 percent. The proceeds were used to renovate facilities to enhance Energy Performance. The note is payable in annual installments plus interest. In June 2011, there was a balloon payment due of \$1,990,711; however, the University refinanced the note to extend the maturity date to June 16, 2014. The University paid the final installment of this note payable in June 2014.

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution with an average interest rate of 3.665 percent. The proceeds were used for the purchase of administrative computing hardware and software. The note is payable in annual installments plus interest.

On July 12, 2011, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 3.1805 percent. The proceeds are being used for the purchase of certain biology and chemistry scientific equipment. The note is payable in annual installments plus interest.

On February 28, 2013, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 2.330 percent. The proceeds were used for the purchase of instructional equipment and software. The note is payable in annual installments plus interest.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 8 - LONG-TERM DEBT**, Continued

Master Lease Program Notes Payable, Continued

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,421,985	117,101	1,539,086
2016	547,556	69,885	617,441
2017	562,598	54,843	617,441
2018	578,064	39,377	617,441
2019	593,966	23,475	617,441
2020-2024	305,848	7,126	312,974
Total Obligations	<u>\$ 4,010,017</u>	<u>311,807</u>	<u>4,321,824</u>

**NOTE 9 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2014 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2015	\$ -	36,123
2016	-	21,740
2017	-	3,655
2018	-	-
2019	-	-
Total Lease Payments	-	61,518
Less: Interest	-	-
Total Present Value of Lease Payments	<u>\$ -</u>	<u>61,518</u>

Capital Leases

As of June 30, 2014, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment and vehicles. These leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$230,349 for fiscal year 2014. For the year ending June 30, the University's lease expense for the vehicles and building were \$38,853 and \$25,500, respectively.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 10 - PENSION PLANS**

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Benefits Division of the South Carolina Public Employee Benefit Authority (PEBA). Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to eligible members as well as disability, survivor options, annual benefit adjustments, and incidental death benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are available to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members can apply for disability annuity benefits provided they have a permanent incapacity to perform the regular duties of the member's job and they have a minimum of eight years of credited service. For disability applications received after December 31, 2013, a member of SCRS will have to be approved for disability benefits from the Social Security Administration in order to be eligible for SCRS disability retirement benefits.

An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 10 - PENSION PLANS**, Continued

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any benefit adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 15.52%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death benefit program and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement and incidental death benefit program contributions to the SCRS for the years ended June 30, 2014, 2013, and 2012 were:

Fiscal Year Ended	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
2014	10.450%	\$ 2,499,632	0.15%	\$ 35,880
2013	10.450%	\$ 2,400,454	0.15%	\$ 34,456
2012	9.385%	\$ 2,251,859	0.15%	\$ 35,991

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement plan. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides for lifetime monthly annuity benefits as well as disability, survivor benefits and incidental death benefits to eligible employees and retirees. In addition, participating employers in the PORS may elect to contribute to the accidental death program which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 10 - PENSION PLANS**, Continued

Effective July 1, 2013, employees participating in the PORS were required to contribute 7.84% of all earnable compensation. The employer contribution rate for PORS was 17.76%. Included in the total PORS employer contribution rate is a base retirement contribution of 12.44%, .20% for the incidental death benefit program, .20% for the accidental death program, and a 4.92% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2014, 2013, and 2012 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2014	12.440%	\$ 82,043	0.20%	\$ 1,319	0.20%	\$ 1,319
2013	11.900%	\$ 74,331	0.20%	\$ 1,249	0.20%	\$ 1,249
2012	11.363%	\$ 76,994	0.20%	\$ 1,355	0.20%	\$ 1,355

As an alternative to membership in the SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution retirement plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for the State ORP plan other than for the employer's payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.92% from the employer in fiscal year 2014. Of the 10.60% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% retirement contribution and .15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2014, total contributions requirements to the ORP were approximately \$2,187,766 (excluding the surcharge) from the University as employer and approximately \$1,570,170 from its employees as plan members.

The amounts paid by the University for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the University's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 10 - PENSION PLANS**, Continued

For the fiscal year ending June 30, 2015, as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the University will be required to recognize a portion of the unfunded net pension liability of the cost sharing plan. Recognition of this liability will have a material impact on the University's overall net position.

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.92% of annual covered payroll for 2014 and 4.55% of annual covered payroll for 2013. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$2,505,922 and \$2,186,764 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2014 and 2013, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2014 and 2013. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$4,783,201 and \$4,338,398 for the years ended June 30, 2014 and 2013, respectively.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS,** Continued

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

**NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$212,236 at June 30, 2014 of which \$64,458 was attributable to capital projects and the remaining \$147,778 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2014.

During fiscal year 2006, the State has also issued research infrastructure bonds to fund deferred maintenance projects of State facilities. As above, the University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized research infrastructure bond proceeds available to draw at June 30, 2014.

**Contingencies / Commitments - Non Governmental Discretely Presented Component Unit**

***The Winthrop University Foundation***

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result for litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS,** Continued

Contingencies and Litigation - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

In connection with the Bonds issued and outstanding (See Note 8), WUREF, LLC had entered into a fixed interest rate swap agreement in conjunction with the \$16,400,000 Series 2002A issuance to manage exposure from the variable interest rate.

**NOTE 13 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by them.

**NOTE 14 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2014, the University held \$498,279 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2014 was \$449,375. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Position. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2014, the income available to be spent is \$300,122 of which \$175,923 is restricted to specific purposes.

**NOTE 15 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 15 - RISK MANAGEMENT,** Continued

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**NOTE 16 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2014 are summarized as follows:

Instruction	\$ 36,617,816
Research	10,412,609
Public Service	3,139,361
Academic Support	7,642,739
Student Services	13,469,134
Institutional Support	10,139,335
Operation and Maintenance of Plant	11,170,824
Scholarships and Fellowships	6,468,111
Auxiliary Enterprises	11,697,180
Depreciation	5,945,414
Total Operating Expenses	<u>\$ 116,702,523</u>

**NOTE 17 – NONOPERATING FEDERAL GRANTS AND CONTRACTS**

Nonoperating Federal grants and contracts for the year ended June 30, 2014 are summarized as follows:

State Fiscal Stabilization Funds	\$ -
Federal Pell Grant Program - 2012	-
Federal Pell Grant Program - 2013	48,392
Federal Pell Grant Program - 2014	8,882,082
Total	<u>\$ 8,930,474</u>

Funds received for the Federal Pell program are recorded as nonoperating Federal grants and contracts in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Prior to June 30, 2011, funds received for Pell were reported as operating grants and contracts.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 18 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation or WUREF, Inc. and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation or WUREF, Inc. Generally, the donors of these assets permit the Foundation or WUREF, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

Agency fund – The other classification used in the accompanying statement of financial position for the Foundation is agency fund which is a fund held by the Foundation as custodian. The receipts, earnings and expenditures related to the agency fund are not included in the Foundation’s statement of activities.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give that are due in the next year are recorded at their net realizable value. Pledges to give that are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions if any.

***The Winthrop University Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation’s activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$1,255,865 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2014. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2014 are \$150,397 due from the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2014

**NOTE 18 - COMPONENT UNITS**, Continued

Purpose of Restricted Net Assets

All temporarily restricted net assets in the amount of \$3,603,724 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2013 were \$1,387,151, for expenses satisfying the restricted purpose of the donors.

Permanently restricted net assets in the form of split-interest agreements are available in the amount of \$2,791,786 for use by Winthrop University to support student scholarships and physical facilities. Net assets released in 2013 for these purposes totaled \$310,988.

Restricted Net Assets Available	\$ 3,603,724
Estimated Current Value of Trusts Which Upon the Deaths of the Beneficiaries Will Provide Endowments	<u>2,791,786</u>
	<u><u>\$ 6,395,510</u></u>

The Foundation's net assets classification has not been significantly affected by new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies described in Note 1 are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value.

***Winthrop University Real Estate Foundation, Inc.***

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2013 thru June 30, 2014, the fee for management services amounted to \$137,809. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2014 are \$231,284 due from WUREF, Inc.

## **OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Information on Business-Type Activities  
Required for the Government-Wide  
Statement of Activities in the State CAFR  
For the Year Ended June 30, 2014

	Year Ended June 30,	
	2014	2013
Charges for Services	\$ 93,301,776	91,041,328
Operating Grants and Contributions	11,959,620	11,021,686
Capital Grants and Contributions	-	-
Less Expenses	<u>(119,141,771)</u>	<u>(118,885,624)</u>
Net Program Revenue (Expense)	<u>(13,880,375)</u>	<u>(16,822,610)</u>
TRANSFERS		
State Appropriations	13,925,647	13,934,104
Capital Improvement Bond Transfer In	<u>1,319,307</u>	<u>1,980,415</u>
Total Transfers	<u>15,244,954</u>	<u>15,914,519</u>
Increase/(Decrease) in Net Assets	1,364,579	(908,091)
Net Assets - Beginning of Year	<u>69,373,650</u>	<u>70,281,741</u>
Net Assets - End of Year	<u><u>\$ 70,738,229</u></u>	<u><u>69,373,650</u></u>

**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2014

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2013-2014 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2014:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2013-2014 Appropriations Act	\$ 13,480,286
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**State Budget and Control Board Allocations:**

State Budget and Control Board Approved	
Allocation for Health Insurance	205,807
From SC Education Lottery Fund - Technology Program	535,585
From Commission on Higher Education -	
Academic Endowment Incentive Match	9,071
Revised Non-Capital Appropriations - Legal Basis	14,230,749
Accrued Funding for Net Payroll Adjustments	(305,102)
Total Non-Capital Appropriations Recorded	
As Current Year Revenue	\$ 13,925,647

**Capital Appropriations**

Current Year's Appropriations	\$ 1,319,307
Supplemental Appropriations (Act. #73.14)	-
Total Capital Appropriations Recorded as Current Year Revenue	\$ 1,319,307

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$ -
Plus: Expenses incurred but not drawn during the current fiscal year	-
Less: Proceeds drawn but not expended during the current fiscal year	-
Total Research Infrastructure Bond Proceeds Recorded	
As Current Year Revenue	\$ -



**SINGLE AUDIT SECTION**

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2014

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2014
<b>US Department of Agriculture</b>				
Passed through the SC Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #3	R&D	367,376
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #10	R&D	95,938
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>				<b>\$ 463,314</b>
<b>US Department of Justice</b>				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525	2010-WA-AX-0016		80,463
<b>TOTAL US DEPARTMENT OF JUSTICE</b>				<b>\$ 80,463</b>
<b>US State Department</b>				
Academic Exchange Programs - Teachers	19.408	S-ECAAS-AA-CA- 016(JJ)		182,715
<b>TOTAL US STATE DEPARTMENT</b>				<b>\$ 182,715</b>
<b>National Science Foundation</b>				
Mathematical and Physical Sciences	47.049	CHE-0848824	R&D	64,223
Mathematical and Physical Sciences	47.049	H98230-13-0270	R&D	10,088
Mathematical and Physical Sciences	47.049	DMS1346976	R&D	16,516
Mathematical and Physical Sciences	47.049	DMS1358534	R&D	32,844
Mathematical and Physical Sciences	47.049	3-8-710-949	R&D	300
Subtotal 47.049				<b>\$ 123,971</b>
Biological Sciences	47.074	MCB-1038669		190
Subtotal 47.074				<b>\$ 190</b>
Education and Human Resources	47.076	DUE-1035322	R&D	253,236
Education and Human Resources	47.076	DUE-1154152	SFA	88,183
Subtotal 47.046				<b>\$ 341,419</b>
Office of Experimental Programs to Stimulate Competitive Research	47.081		R&D	5,364
Subtotal 47.081				<b>\$ 5,364</b>
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>				<b>\$ 470,944</b>
<b>Small Business Administration</b>				
Pass-Through the University of South Carolina				
Small Business Development Centers	59.037	1-60300-Z-0149		5,415
Small Business Development Centers	59.037	2-603001-Z-0043-30		36,017
Small Business Development Centers	59.037	2-603001-Z-0043		37,957
Small Business Development Centers	59.037			222,857
Small Business Development Centers	59.037			3,424
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>				<b>\$ 305,670</b>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2014

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number	Total Expenditures FY2014
<b>US Department of Education</b>			
Office of Postsecondary Education			
Student Financial Aid Cluster			
Supplemental Education Opportunities Grant	84.007	PO07A123816	SFA 149,113
Subtotal 84.007			<u>\$ 149,113</u>
Federal Work Study Program	84.033	P033A113816	SFA (16)
Federal Work Study Program	84.033	P033A123816	SFA (1,462)
Federal Work Study Program	84.033	P033A133816	SFA 143,700
Subtotal 84.033			<u>\$ 142,222</u>
Federal Perkins Loan Program	84.038	P038A063816	SFA 2,848,132
Subtotal 84.038			<u>\$ 2,848,132</u>
Federal PELL Grant Program	84.063	PO063P120379	SFA 48,392
Federal PELL Grant Program	84.063	PO063P130379	SFA 8,878,932
Subtotal 84.063			<u>\$ 8,927,324</u>
Federal Direct Student Loan Program FY13	84.268	P268K120379	SFA (13,941)
Federal Direct Student Loan Program FY14	84.268	P268K130379	SFA 37,149,676
Subtotal 84.268			<u>\$ 37,135,735</u>
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T130379	SFA 1,880
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T140379	SFA 476,460
Subtotal 84.379			<u>\$ 478,340</u>
Subtotal - Student Financial Aid Cluster			<u>\$ 49,680,866</u>
TRIO Cluster			
TRIO - Student Support Services	84.042	PO42A100308	216,838
Subtotal 84.042			<u>\$ 216,838</u>
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A090009	51,315
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A130111	136,110
Subtotal 84.217			<u>\$ 187,425</u>
Subtotal - TRIO Cluster			<u>\$ 404,263</u>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2014

<b>FEDERAL GRANTOR</b> Pass-Through Entity Program Title	CFDA Number	Grant or Contract Number		Total Expenditures FY2014
<b>US Department of Education</b>				
Teacher quality Partnership Grants	84.336	U336S090144	R&D	1,160,379
Subtotal 84.336				\$ 1,160,379
School Leadership	84.363	U363A100071	R&D	\$ 772,220
Subtotal 84.363				\$ 772,220
<b>US Department of Education</b>				
Pass-Through the York School District One				
Mathematics and Science Partnerships	84.366	11MS089-01		25,925
Mathematics and Science Partnerships	84.366	11MS029-01		16,572
Mathematics and Science Partnerships	84.366	14MS089.01		29,473
Mathematics and Science Partnerships	84.366	14MS029.01		10,523
Subtotal - York School District One				\$ 82,493
<b>TOTAL US DEPARTMENT OF EDUCATION</b>				<b>\$ 52,100,221</b>
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
ARRA - Cancer Biology Research	93.396	1R15CA137521-01	R&D	2,237
Subtotal 93.396				\$ 2,237
Cardiovascular Diseases Research	93.837	1R15HL104587-01	R&D	31,766
Cardiovascular Diseases Research	93.837	R15EY024453	R&D	28,550
Subtotal				\$ 60,316
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
Pass-Through the University of South Carolina				
National Center for Research Resource	93.389	2P20RR016461-10	R&D	432,000
Subtotal 93.389				\$ 432,000

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2014

<b>FEDERAL GRANTOR</b>	<b>CFDA</b>	<b>Grant or Contract</b>	<b>Total</b>
Pass-Through Entity	Number	Number	Expenditures
Program Title			FY2014
<b>US Department of Health and Human Services</b>			
<b>National Institute of Health</b>			
Pass-Through the SC Department of Health and Human Services			
Medical Assistance Program	93.778	A20151532A	R&D 414,893
Subtotal 93.778			<u>\$ 414,893</u>
Pass-Through the South Carolina Department of Social Services (SCDSS)			
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 4	R&D 384,607
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 9	R&D 448,137
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 10	R&D 95,938
Subtotal 93.558			<u>\$ 928,682</u>
Child Support Enforcement	93.563	Task Order #6	R&D 1,169,519
Subtotal 93.563			<u>\$ 1,169,519</u>
Title IV-E Foster Care Maintenance	93.658	Task Order #1	168,895
Title IV-E Foster Care Maintenance	93.658	Task Order #7	R&D 457,529
Title IV-E Foster Care Maintenance	93.658	Task Order #8	R&D 402,646
Title IV-E Foster Care Maintenance	93.658	Task Order #10	R&D 191,877
Subtotal 93.658			<u>\$ 1,220,947</u>
Adoption Assistance	93.659	Task Order 9	R&D 153,152
Subtotal 93.667			<u>\$ 153,152</u>
Social Services Block Grant	93.667	Task Order #5	R&D 742,541
Subtotal 93.667			<u>\$ 742,541</u>
Medical Assistance Program	93.778	Task Order #10	R&D 63,929
Subtotal 93.778			<u>63,929</u>
Subtotal - Pass through the SCDSS			<u>\$ 4,278,770</u>
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>\$ 5,188,216</u>
<b>Corporation for National and Community Service</b>			
Program Development and Innovation Grants	94.007		1,500
Subtotal 94.007			<u>\$ 1,500</u>
Volunteers in Service to America	94.013	10VSSSC001	17,096
Subtotal 94.013			<u>\$ 17,096</u>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u>\$ 18,596</u>
<b>TOTAL ALL FEDERAL FUNDS</b>			<u><u>\$ 58,810,139</u></u>

Independent Auditors' Report On Compliance  
For Each Major Program And On Internal Control  
Over Compliance Required By OMB Circular A-133

To the Honorable Nikki R. Haley,  
Governor of the State of South Carolina  
And to the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Winthrop University's compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Winthrop University's major federal programs for the year ended June 30, 2014. Winthrop University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Winthrop University's compliance.

**Opinion on Each Major Federal Program**

In our opinion Winthrop University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

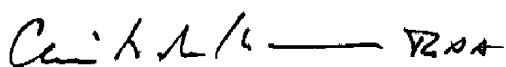
## Report on Internal Control Over Compliance

Management of Winthrop University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered Winthrop University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Gaffney, SC  
September 19, 2014

Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

To the Honorable Nikki R. Haley,  
Governor of the State of South Carolina  
And to the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit (The Winthrop University Foundation) of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprised Winthrop University's basic financial statements, and have issued our report thereon dated September 19, 2014. Our report includes a reference to other auditors who audited the financial statements of Winthrop University Real Estate Foundation, Inc. as described in our report on Winthrop University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with Government Auditing Standards. The Winthrop University Foundation's financial statements were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Winthrop University Foundation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Winthrop University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winthrop University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit by those charged with governance.



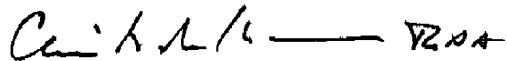
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Winthrop University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cynthia L. Rosa".

Gaffney, SC  
September 19, 2014

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u>\$ 37,135,735</u>
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The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$2,403,805 as of June 30, 2014. The expenditures for June 30, 2014 are calculated as follows:

June 30, 2013 Loan Balance	\$ 2,352,238
Current Year Loans Made	455,894
Current Year Administrative Cost Allowance	<u>40,000</u>
Total	<u>\$ 2,848,132</u>

**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2014

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to federal awards.

**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2014

**Summary of Auditors' Results:**

- An unmodified opinion was issued on Winthrop University's basic financial statements dated September 19, 2014.
- There were no material weaknesses or significant deficiencies relating to the financial statements reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*.
- There were no instances of noncompliance material to the financial statements of Winthrop University disclosed during the audit.
- The auditor's report on compliance for the major federal award programs for Winthrop University expresses an unmodified opinion.
- There were no material weaknesses or significant deficiencies relating to the audit of major federal awards reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
- There were no audit findings reported relative to the major federal award programs for Winthrop University as depicted below in this schedule.
- Major federal programs:

Student Financial Aid Cluster from the U.S. Department of Education

Federal Supplemental Education Opportunity Grants	CFDA #84.007
Federal Work-Study	CFDA #84.033
Federal Perkins Loan Program	CFDA #84.038
PELL	CFDA #84.063
Federal Direct Student Loans	CFDA #84.268
Federal TEACH Grants	CFDA #84.379

Research and Development Cluster

Education and Human Resources from National Science Foundation	CFDA #47.076
Teacher Quality Partnership Grants from U.S. Department of Education	CFDA #84.336
National Center for Research Resource Pass-Through The University of South Carolina	CFDA #93.389

Academic Exchange Programs – Teachers from  
U.S. State Department

CFDA #19.408

Small Business Administration Pass-Through  
The University of South Carolina

CFDA #59.037

**Winthrop University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2014

**Summary of Auditors' Results:** continued

- Type A programs are defined as those that expended \$300,000 or more and Type B programs are those that expended less than \$300,000.
- Winthrop University is not a low risk auditee according to the criteria in OMB Circular A-133.

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to federal awards.